

HOUSE BILL REPORT

E2SHB 2418

As Amended by the Senate

Title: An act relating to affordable housing.

Brief Description: Increasing the availability of affordable housing.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Springer, Miloscia, Chase, Morrell, Hasegawa, Darneille, Santos, P. Sullivan, Kagi, Green, Sells, Ormsby and O'Brien).

Brief History:

Committee Activity:

Housing: 1/11/06, 1/19/06 [DPS];

Capital Budget: 2/2/06, 2/7/06 [DP2S(w/o sub HOUS)].

Floor Activity:

Passed House: 2/11/06, 72-24.

Senate Amended.

Passed Senate: 3/3/06, 48-1.

Brief Summary of Engrossed Second Substitute Bill

- Authorizes a transfer of up to \$25 million for the Fiscal Year 2006 to the Washington Housing Trust Fund from the General Fund.
- Exempts four programs from the Housing Trust Fund competitive application and distribution process.
- Makes appropriations from the Washington Housing Trust Account.
- Creates the Interagency Council on Homelessness.
- Directs the Department of Community, Trade and Economic Development (DCTED) to implement the Washington Homeless Client Management Information System to collect information about homelessness and homeless persons.
- Requires DCTED to study the effectiveness of a potential voluntary low-income housing waiting list database.
- Requires DCTED to implement a statewide Affordable Housing Database.

- Includes a null and void clause.

HOUSE COMMITTEE ON HOUSING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Miloscia, Chair; Springer, Vice Chair; Holmquist, Ranking Minority Member; McCune, Ormsby, Pettigrew, Schindler and Sells.

Minority Report: Without recommendation. Signed by 1 member: Representative Dunn, Assistant Ranking Minority Member.

Staff: Robyn Dupuis (786-7166).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 21 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Clements, Eickmeyer, Ericks, Ericksen, Flannigan, Green, Hasegawa, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Schual-Berke, Serben, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 7 members: Representatives Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Cox, Kretz, Kristiansen, Roach and Strow.

Staff: Nona Snell (786-7153).

Background:

The State of Washington distributes funding for housing programs through the Department of Community and Economic Development's (DCTED) Housing Trust Fund. Housing projects must serve low-income and special needs populations. Grants and loans are awarded on a competitive basis.

Total Housing Trust Fund Budget

The 2005-2007 budget includes a total appropriation of \$100 million for the Housing Trust Fund. Of this amount, \$33 million is designated for specific set asides.

Set Asides:

- Energy Matchmakers \$ 9,000,000
- Housing for Developmental Disabilities \$ 5,000,000
- Self-Help Housing Programs \$ 2,500,000
- Housing for Domestic Violence Victims \$ 1,000,000

- Emergency Shelters/Transitional Housing \$ 5,000,000
 - Farm Worker Housing \$ 8,000,000
 - On-farm Infrastructure Loan Programs \$ 2,500,000
- Total: \$33,000,000

Housing Trust Fund Back Log

According to the DCTED, housing projects representing requests for over \$45 million in Housing Trust Fund assistance are currently deemed eligible and await the availability of funding. These projects represent the potential development of approximately 2,300 units of affordable housing.

Homeless Families Services Fund

The Homeless Families Services Fund (also referred to as the Washington Families Fund) was established by the Legislature in 2004 with an initial one time appropriation of \$2 million. This program leverages private dollars to provide long-term, stable sources of funding for homeless services.

Real Estate Excise Tax

The real estate excise tax (REET) is imposed upon the sale of real property at the rate of 1.028 percent of the selling price. An amount equal to 6.1 percent of the proceeds are deposited into the public works assistance account and an amount equal to .6 percent of the proceeds are deposited into the city-county assistance account. The remainder is deposited into the General Fund.

Summary of Engrossed Second Substitute Bill:

Up to \$25 million is authorized to be transferred from the General Fund into the Washington Housing Trust Fund for the fiscal year ending June 30, 2006.

Housing projects falling within the following categories will be funded with the corresponding specific amounts for each year indicated:

Fiscal Year 2007

1. Washington Housing Trust Fund "Backlog" of Eligible Projects: \$ 8,100,000
2. Energy Matchmakers Programs: \$ 4,500,000
3. Housing Vouchers for Low-Income persons (including homeless, victims of domestic violence), Seasonal Farm Workers: \$ 1,500,000
4. Housing for Persons with Developmental Disabilities: \$ 1,250,000
5. Housing for Victims of Domestic Violence: \$ 500,000

6. Farm Worker Housing, and programs:	\$ 4,000,000
7. Mobile Home Preservation:	\$ 1,000,000
8. Homeless Families Services Fund:	\$ 4,000,000
9. Homebuyer Program:	\$ <u>150,000</u>
Total:	\$25,000,000

The \$25 million in funding will be included in the calculation of annual funds available for determining administrative costs. This will result in an increase of up to \$1.25 million in administrative costs for Fiscal Year 2007.

Funds will be distributed using the DCTED's current competitive process for the Housing Trust Fund except for the following:

- (a) funds applied to the Homeless Family Services Fund, which will receive a direct transfer from the Housing Trust Account;
- (b) funds appropriated to weatherization administered through the Energy Matchmakers Program;
- (c) funds appropriated for the Housing Voucher Program; and
- (d) funds for grower-provided on-farm housing.

The DCTED must report annually by December 31 to the House Housing Committee and the Senate Financial Institutions, Housing and Consumer Protection Committee on performance measures to be determined by the DCTED.

Interagency Council on Homelessness

The Interagency Council on Homelessness (IACH) is created which will be made up of policy level representatives from five state agencies. The IACH will work to create greater levels of interagency coordination, identify policies that may contribute to homelessness, and recommend policies to improve practices or align resources related to homelessness.

Washington Homeless Client Management System

The DCTED is required to implement the Washington Homeless Client Management System by December 31, 2009. The system will include information from the Washington homeless census, from state agencies, and from organizations providing services to the homeless population. The information system is to serve as an information and referral system.

Low-Income Housing Waiting-List Study

The DCTED is directed to conduct a study to evaluate the potential development of a low-income housing waiting list database.

Affordable Housing Database

The DCTED is required to create or purchase and implement a database which includes information on all publically-supported affordable rental units in the state by December 31, 2009.

Housing Stakeholder Feedback

Entities receiving state housing funds, or financing through the Housing Finance Commission, are asked to provide feedback to the Legislature regarding planning and reporting requirements, as well as other housing-related legislative recommendations.

Null and Void

Implementation of the activities of the Act is contingent upon a transfer of at least \$25 million from the General Fund to the Washington Housing Trust Fund.

EFFECT OF SENATE AMENDMENT(S):

All references to the real estate excise tax are removed. Language regarding specific appropriations from the \$25 million to specific types of housing projects is removed, and instead a new section is created that states the legislature may transfer up to \$25 million from the general fund into the Washington Housing Trust Fund. The requirement of the DCTED to develop performance measures for its report to the legislature is removed. Information collected for the Washington Homeless Client Management Information System must be collected in a manner consistent with federally informed consent guidelines regarding human research and must written consent is required. A process for the dissolution of joint housing authorities is established. The null and void clause is amended to remove the specific reference to \$25 million.

Appropriation: \$25 million.

Fiscal Note: Requested on February 7, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

Testimony For:

Testimony For: (Capital Budget) The state has additional revenue in the amount of \$1.5 billion that is mostly from the real estate excise tax (REET) on real estate sales and construction. However, there are victims of the strong housing market because housing prices have risen beyond the purchasing capacity of many people's incomes. The additional revenue generated from REET should be used to help people who cannot afford housing. This is one time funding distributed over four years. There is no commitment to continue the programs past the expiration date of the bill.

Housing is needed for people with mental illnesses.

The original \$2 million appropriation for the Homeless Families Services Fund was successful, but the original request was for \$15 million. The program works with private matching funds. Reallocate the appropriations in the bill to increase the Homeless Families Services Fund appropriation.

The Washington Coalition Against Domestic Violence has 45 shelters across the state, but there are currently projects in the Housing Trust Fund pipeline that are waiting for funding. If projects receive Housing Trust Fund dollars, more funds will be available for services and advocacy.

Home ownership education and counseling is successful and protects against predatory lending that is often targeted toward low-income people and first time home buyers. Counseling ensures sound investments.

The Washington Apartment Association supports the inclusion of vouchers for farm workers because vouchers save time, are cost effective (going to individuals instead of construction), and deconcentrate by allowing farm workers to live in the community.

(With concerns) Washington Realtors Association members are sensitive to the REET references included in the bill but support the purpose and funding from the General Fund.

Projects that have obtained part of the funding necessary for a housing project, but need Housing Trust Fund dollars, may lose opportunities if they are backlogged and must wait for funding.

It is important to fund the backlog of Housing Trust Fund projects because the housing boom has passed by rural communities where local resources to build projects are scarce, but there is population growth.

Four million dollars for vouchers is not cost effective because there is not enough housing inventory for farm workers, and vouchers are gone after they are used but housing stock remains.

Testimony Against:

Testimony Against: (Capital Budget) None.

Persons Testifying: (Housing) (In support) Chuck Eberdt, The Energy Project; John Davies, The Opportunity Council; Carol Selland, Pierce County Community Services; Lonnie Johns-Brown and Dee Dee Garman, Advocates for the Rights of Citizens with Developmental Disabilities of Washington; Darryl Reber, Inland Empire Residential Resources; Donald Chamberlain, AIDS Housing Washington; MaryAnne Dillon, Young Women's Christian Association of Seattle, King and Snohomish County, and Washington State Coalition for the Homeless; Tammy Smith, Resident of Falls Point Apartments; Mike Lowry, Washington Agricultural Families Assistance; Paul Purcell, Beacon Development Group; Walter Zisette, Mercy Housing; Chris Venne, Community Framework; Linda Hall, Saint Andrew's Housing Group; Mark Flynn, Impact Capital; Ishbel Dickens, Columbia Legal Services; Marie Gyulafia and Dwaine Rawley; Eagle Point Home Owners Association; Daniel Thompson, Mobile Home Preservation; Grace Huang, Washington State Coalition Against Domestic Violence; Linda Rasmussen, Young Womens Christian Association of Seattle, King, and Snohomish Counties; Patti McGill, Turning Point; Tom Byers, Washington State Farmworker Housing Trust; Brien Thane, Office of Rural and Farmworker Housing; Mario Villanueva, Diocese of Yakima Housing Services; Mike Gempler, Growers League; and Ben Gitenstein, Washington Low Income Housing Alliance.

(Neutral) Stephen Buxbaum, Department of Community, Trade, and Economic Development, Housing.

(With concerns) Dan Fazio, Farm Bureau; and Bob Mitchell, Washington Realtors.

Persons Testifying: (Capital Budget) (In support of the bill) Representative Springer, Prime Sponsor; Seth Dawson, Washington State Community Housing; Katy Miller, AIDS Housing of Washington; Diane Christie, SHARE; Grace Huang, Washington State Coalition Against Domestic Violence; Caroline James, International District Housing Alliance; Stella Chao, International District Housing Alliance; Elaine Magil, International District Housing Alliance; Harry Montgomery, Tacoma/Pierce County Coalition for the Homeless; Terry Kohl, Washington Apartment Association; Bob Mitchell, Washington Realtors Association; Nick Federici, Washington Low Income Housing Alliance; Lynn Davison, Common Ground; Brien Thane, Office of Rural and Farmworker Association; Danette Allen; and Charlie Chang and Mai See Lee, Hmong Farmers.

Persons Signed In To Testify But Not Testifying: (Housing) None.

Persons Signed In To Testify But Not Testifying: (Capital Budget) None.